



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

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April 14, 2016

Mr. Samuel Escobar, City Manager
City of Orange Cove
633 Sixth Street
Orange Cove, CA 93646

Dear Mr. Escobar:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Orange Cove Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 29, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 13, 14, and 15 – Various improvement projects totaling \$1,444,778 funded by Bond Proceeds. The Agency received a Finding of Completion on August 1, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation type from Miscellaneous to "Bond Funded Project – Pre 2011". Such approval, however, should not be construed as approval of the projects themselves as enforceable obligations.

In addition, we note the Agency has requested \$1,444,778 in Bond Proceeds funding for these items. Our review of the Agency's financial records indicates an available balance of \$722,389 in Bond Proceeds. Therefore, the approved Bond Proceeds funding for these items is \$722,389 (\$1,444,778 - \$722,389) to for the ROPS 16-17 period to tie to the amount available pursuant to the Agency's financial records.

- Item No. 16 – 2014 Tax Allocation Refunding Bonds, debt service payment in the amount of \$82,234. The Agency requests \$82,234 from RPTTF; however, Finance is reclassifying \$15,812 to Reserve Balances, as discussed above. The obligation does not require payment from property tax revenues and the Agency has \$15,812 in available Reserve Balances as described below under the administrative costs. Therefore, Finance is approving RPTTF in the amount of \$66,422 and the use of Reserve Balances in the amount of \$15,812, totaling \$82,234 for the ROPS 16-17 period.

- Item No. 17 – Trustee Administration Fees in the amount of \$1,500 are partially allowed. Although total RPTTF requested is \$1,500, only \$1,100 for trustee administration fees is necessary during the ROPS 16-17 period. Therefore, with the Agency's concurrence, the amount has been reduced to \$1,100 (\$1,500 - \$400).
- The Agency's claimed administrative costs exceed the allowance by \$204,770. Pursuant to HSC section 34171 (b) (3), the Administrative Cost Allowance (ACA) shall be up to three percent of the actual distributed RPTTF in the preceding fiscal year, or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. The Fresno County Auditor-Controller distributed \$90,460 RPTTF in the 2015-16 fiscal year. As a result, \$45,230 is available for the ACA pursuant to the cap. The Agency claimed the administrative cost totaling \$250,000 (\$234,188 payable from Admin RPTTF and \$15,812 from Reserve Balances). Therefore, \$15,812 payable from Reserve Balances is not allowed. To the extent the Agency has Reserve Balances available, the Agency should use those funds to pay other enforceable obligations approved on the ROPS pursuant to HSC section 34177 (I) (1) (E). Therefore, Finance reclassified the funding source from Item No. 16 from RPTTF to Reserve Balances in the amount of \$15,812 as described above. In addition, \$188,958 of excess administrative cost allowance, payable from RPTTF, is not allowed.
- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Other Funds, and in the amount specified below:
 - Item No. 18 – Continuing Disclosure Fees in the amount of \$3,000 has partially reclassified. The Agency requests \$3,000 from RPTTF; however, Finance is reclassifying \$110 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. The obligation does not require payment from property tax revenues and the Agency has \$110 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$2,890 and the use of Other Funds in the amount of \$110, totaling \$3,000 for the ROPS 16-17 period.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$198,056 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor, or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,


JUSTYN HOWARD
Program Budget Manager

cc: Ms. Suzy Kim, Associate, RSG, City of Orange Cove
Mr. George Gomez, Accounting Financial Manager, Fresno County

Attachment

| Approved RPTTF Distribution | | | |
|--|----------------------|----------------------|-------------------|
| For the period of July 2016 through June 2017 | | | |
| | ROPS A Period | ROPS B Period | Total |
| Requested RPTTF (excluding administrative obligations) | \$ 86,824 | \$ 82,324 | \$ 169,148 |
| Requested Administrative RPTTF | 109,188 | 125,000 | 234,188 |
| Total RPTTF requested for obligations on ROPS 16-17 | 196,012 | 207,324 | \$ 403,336 |
| Total RPTTF requested | 86,824 | 82,324 | 169,148 |
| <u>Denied Item</u> | | | |
| Item No. 17 | (400) | 0 | (400) |
| <u>Reclassified Items</u> | | | |
| Item No. 16 | (15,812) | 0 | (15,812) |
| Item No. 18 | (110) | 0 | (110) |
| Total RPTTF authorized | 70,502 | 82,324 | \$ 152,826 |
| Total Administrative RPTTF requested | 109,188 | 125,000 | 234,188 |
| Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below) | (63,958) | (125,000) | (188,958) |
| Total Administrative RPTTF authorized | 45,230 | 0 | \$ 45,230 |
| Total RPTTF approved for distribution | 115,732 | 82,324 | \$ 198,056 |

| Administrative Cost Allowance Cap Calculation | |
|--|---------------------|
| Actual RPTTF distributed for fiscal year 2015-16 | \$ 215,460 |
| Less sponsoring entity loan and Administrative RPTTF | 125,000 |
| Actual RPTTF distributed for 2015-16 after adjustment | 90,460 |
| Administrative Cap for 2016-17 per HSC section 34171 (b) | 45,230 |
| ROPS 16-17 Administrative after Finance adjustments | 234,188 |
| Administrative Cost Allowance in excess of the cap* | \$ (188,958) |

* Excess administrative costs of \$15,812 Reserve Balances are not reflected in the table.